

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Priority Mail Express International,
Priority Mail International,
First-Class Package
International Service &
Commercial EPacket Contract 2

Docket No. MC2020-157

Competitive Product Prices
Priority Mail Express International,
Priority Mail International, First-Class Package
International Service &
Commercial EPacket Contract 2
(MC2020-157)
Negotiated Service Agreement

Docket No. CP2020-173

Public Representative Comments On
USPS Request to Add Priority Mail Express International, Priority Mail International,
First-Class Package International Service & Commercial E-Packet Contract 2 to
Competitive Product List
(June 19, 2020)

I. Introduction

The Public Representative hereby provides comments pursuant to the Commission Notice initiating this docket.¹ In that Notice, the Commission established the above-referenced docket to receive comments from interested persons, including the undersigned Public Representative, on the Postal Service's request to add Priority Mail Express International (PMEI), Priority Mail International (PMI), First-Class Package

¹ PRC Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings (Notice), June 12, 2020.

International Service (FCPIS) & Commercial E-Packet (CeP), Contract 2 (Contract 2), to Competitive Product List.²

The criteria governing Commission review under 39 U.S.C. § 3642(b) are whether the products which comprise Contract 2: (1) qualify as market dominant, (2) are covered by the postal monopoly and therefore precluded from being classified as competitive products, and (3) whether the products which comprise Contract 2 reflect market considerations which support classifying them as competitive, including the nature and extent of private sector competition, the impact on small businesses, and the views of product users.

Moreover, pursuant to 39 U.S.C. § 3633(a), the Commission's review must determine that: (1) the Postal Service's competitive prices established by Contract 2 will not result in the subsidization of competitive products by market dominant products; (2) each competitive product will cover its attributable costs; and, (3) the net revenues from the competitive products which comprise Contract 2 are greater than or equal to the currently required minimum contribution towards the recovery of the Postal Service's institutional costs (minimum appropriate share).

II. Comments

The Public Representative has reviewed the Postal Service's Request, Statement of Supporting Justification, Attached Contract, Certification of Compliance with 39 U.S.C. § 3633(a), and its proposed changes to the Mail Classification Schedule (MCS).³ The Public Representative has also reviewed the supporting financial models for the contract filed separately under seal. He concludes that Contract 2 will satisfy the required statutory tests and recommends Commission approval.

The Postal Service makes a number of assertions that address the requirements of section 3642(b). *Request*, Attachment D. These assertions appear reasonable to the Public Representative. He concludes that Contract 2 satisfies the criteria of section 3642(b) concerning the classification of new competitive products.

² Request of the United States Postal Service to Add Priority Mail Express International, Priority Mail International, First-Class Package International Service & Commercial E-Packet Contract 2 to Competitive Product List, Notice of Filing Materials Under Seal, Contract, and Supporting Data (Request), June 11, 2020.

³ See, Mail Classification Schedule, Posted January 21, 2018, (With Revisions Through July 15, 2018), at https://www.prc.gov/sites/default/files/mcs/MCSBaseline01262020_0.docx.

In addition, Contract 2 expects, but does not require, the NSA partner to generate a minimum amount of postage paid for mail after discounts have been applied to the products included in Contract 2 (Qualifying Mail).

The contract is expected to remain in effect for a period of one year beginning no later than 30 days after the date the contract is approved by the Commission. Contract 2 allows the Postal Service to petition the Commission for a three month extension of the Contract, provided it notifies the Commission of the first extension at least seven days prior to the relevant expiration date, and implement a second, three month, extension after the first one expires.

Based upon a review of the financial model and the contract filed under seal with the Request, the Public Representative predicts that the negotiated prices for the products which comprise Contract 2 will generate revenues sufficient to cover their respective attributable costs during the first year of the contract, and therefore comply with the requirements of 39 U.S.C. § 3633(a). The Postal Service's estimate of expected annual postage minus discounts is also greater than the annual minimum revenue Contract 2 is expected to generate.

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

Lawrence Fenster
Public Representative

901 New York Ave. NW
Washington, DC 20268-0001
202-789-6862
lawrence.fenster@prc.gov